

Message Text

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DRAFTED BY EB/AN:JBMAGNOR:DAP

APPROVED BY EB/AN:WBCOBB

CAB - A. LA;RGAY

EUR/CE - R. CASAGRANDE

L/EB - T. TALLERICO

----- 113883

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

INFO AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS:EAIR, GW

SUBJECT: CIVAIR: FRG PROPOSES RESTRICTIONS ON TRUCKING

--- ACTIVITIES

REF: BONN 15262

1. DEPARTMENT APPRECIATES TIMELY AND THOROUGH REPORT
INCORPORATED REFTEL.

2. GERMANY IS SEABOARD'S SECOND LARGEST MARKET, AND IT
ESTIMATES THAT 70 PERCENT OF ITS REVENUES IN THE MARKET
ARE ATTRIBUTABLE TO CARGO CARRIED BETWEEN THE US AND POINTS
IN GERMANY OUTSIDE OF THE FRANKFURT AREA. OBVIOUSLY, THE
PROPOSED FRG TRUCKING RESTRICTIONS, HAVE SERIOUS IMPLI-
CATIONS FOR SEABOARD, AND DEPARTMENT BELIEVES THEREFORE
THAT A STRONG INDICATION OF USG CONCERN WITH FMT RESTRI-
CTIONS ON TRUCKING ACTIVITIES IS APPROPRIATE. ACCORDINGLY,
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EMBASSY IS REQUESTED TO DELIVER NOTE OR AIDE MEMOIRE AT ITS

DISCRETION REGISTERING US CONCERN WITH FMT ACTION AND REQUESTING DEFERRAL OF THE TRUCKING RESTRICTIONS. TEXT OF NOTE OR AIDE MEMOIRE FOLLOWS. HOWEVER, DEPARTMENT IS NOT COMMITTED TO TEXT AND WOULD APPRECIATE EMBASSY COMMENTS- IF ANY- WITH RESPECT TO IT OR TO ALTERNATE APPROACH.

3. BEGIN TEXT:

"THE US AVIATION AUTHORITIES ARE CONCERNED WITH REPORTS THEY HAVE RECEIVED THAT THE FEDERAL MINISTRY OF TRANSPORT HAS GIVEN NOTICE TO THE BOARD OF AIRLINE REPRESENTATIVES IN GERMANY TO THE EFFECT THAT AIRLINES WILL NO LONGER BE ALLOWED TO TRUCK AIR FREIGHT BETWEEN GATEWAY AIRPORTS IN GERMANY AND ANY OTHER POINT IN GERMANY OR NEIGHBORING COUNTRIES UNLESS THE AIRLINE PROVIDES REGULAR AIR SERVICES BETWEEN SUCH POINTS. THE US AUTHORITIES BELIEVE THE EFFECT OF SUCH ACTION BY THE FEDERAL TRANSPORT MINISTRY WILL BE TO DENY ACCESS OF THE US SCHEDULED ALL-CARGO AIRLINE TO A SIGNIFICANT SEGMENT OF ITS SECOND LARGEST MARKET AND TO CREATE, IN COMBINATION WITH OTHER FACTORS, A SITUATION INCONSISTENT WITH ARTICLE 8 OF THE US-FEDERAL REPUBLIC OF GERMANY AIR TRANSPORT SERVICES AGREEMENT. IN THESE CIRCUMSTANCES, MOREOVER, THE US AUTHORITIES BELIEVE THE REPORTED RESTRICTIONS ON TRUCKING ACTIVITIES RAISE QUESTIONS WHICH SHOULD PROPERLY BE SETTLED BY BOTH THE US AND FEDERAL REPUBLIC OF GERMANY GOVERNMENTS. THE US GOVERNMENT REQUESTS THAT THE RESTRICTIONS BE SET ASIDE OR AT LEAST THAT THEIR IMPLEMENTATION BE DEFERRED UNTIL BOTH GOVERNMENTS HAVE HAD AN OPPORTUNITY TO REVIEW THE MATTER.

"THE US POSITION IN THE MATTER IS BASED, INTER ALIA, ON T. SEVERAL CONSIDERATIONS. FIRST, WHILE THE US AUTHORITIES MIGHT ACKNOWLEDGE THAT THE INTENT OF THE FEDERAL MINISTRY OF TRANSPORT'S ACTION IS TO APPLY RESTRICTIONS IN A NON-DISCRIMINATORY MANNER, THE EFFECT OF THE ACTION, SEEN AGAINST OTHER CIRCUMSTANCES, IS TO DISCRIMINATE AGAINST THE US SCHEDULED ALL-CARGO AIRLINE IN FAVOR OF THE GERMAN CARRIER AND CERTAIN OTHER COMBINATION AIRLINES. THIS IS PRINCIPALLY THE RESULT OF RE-LIMITED OFFICIAL USE

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STRICTING TRUCKING BETWEEN GATEWAY AIRPORTS AND OTHER POINTS IN GERMANY TO THE DAYS WHEN AN AIR CARRIER PROVIDES SCHEDULED SERVICE AND ON THE DAY FOLLOWING, WHICH IN TURN ALLOWS COMPLETE TRUCKING FLEXIBILITY TO COMBINATION CARRIERS OFFERING SERVICES BETWEEN SUCH POINTS THREE OR FOUR TIMES WEEKLY. THE GERMAN CARRIER, FOR EXAMPLE, BY VIRTUE OF EXTENSIVE INTRA-GERMAN SERVICE NETWORKS WITH SMALLER COMBINATION AIRCRAFT CAN UNDER THE

MINISTRY OF TRANSPORT RESTRICTIONS CONTINUE TO PROVIDE DAILY TRUCKING SERVICE BETWEEN FRANKFURT (WHICH IT SERVES WITH ITS TRANSATLANTIC B-747 FREIGHTERS) AND VIRTUALLY EVERY MAJOR GERMAN CITY. THUS THE GERMAN AIRLINE WILL BE IN A POSITION TO PROVIDE EFFECTIVE SERVICE TO THE ENTIRE US-GERMANY AIR CARGO MARKET WITH TRUCK-AIR SERVICE.

"ON THE OTHER HAND, BECAUSE OF THE HISTORIC PATTERN OF US-GERMANY AIR CARGO TRAFFIC, THE SIZE AND EFFICIENCY OF THE AIRCRAFT THE US ALL-CARGO AIRLINE OPERATES, AND, MORE IMPORTANT, THE FACT THAT IT IS PERMITTED BY ITS AUTHORITIES TO OPERATE ALL-CARGO SERVICE ONLY, THE US ALL-CARGO CARRIER WILL NO LONGER HAVE EFFECTIVE ACCESS TO 70 PERCENT OF THE TRAFFIC IT NOW CARRIES. EXCEPT FOR OCCASIONAL SERVICES TO MUNICH, STUTTGART AND DUSSELDORF, THE US ALL-CARGO AIRLINE WILL BE CONFINED TO TRUCKING OPERATIONS TO THE AREA IMMEDIATELY SURROUNDING FRANKFURT. IN ESSENCE, THEREFORE, IT WOULD SEEM THE PRICE OF EFFECTIVE PARTICIPATION IN THE TRANSATLANTIC CARGO MARKET TO AND FROM GERMANY IS TO MOUNT SERVICES DEDICATED PRIMARILY TO PASSENGERS-SERVICES WHICH WOULD IN NO CONCEIVABLE EVENT CARRY A SIGNIFICANT PORTION OF THE TRANSATLANTIC AIR CARGO.

"THE ADVERSE AND DISCRIMINATORY EFFECTS OF THE MINISTRY OF TRANSPORT'S TRUCKING RESTRICTIONS ARE MAGNIFIED BY THE COMMON RATING STRUCTURE OF MOST US-GERMANY CARGO MARKETS UNDER THE IATA RATE STRUCTURE FOR LARGE SHIPMENTS. WITH MINOR AND INSIGNIFICANT VARIATIONS, THE EXISTING RATE STRUCTURE ESTABLISHES VIRTUALLY THE SAME RATES FOR TRANS-ATLANTIC AIR CARGO CARRIAGE IRRESPECTIVE OF THE GERMAN CITY INVOLVED. ALTHOUGH THEY HAVE HERETOFORE RELUCTANTLY ALLOWED THE COMMON-RATING, THE US AUTHORITIES HAVE LIMITED OFFICIAL USE

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NEVERTHELESS BEEN CONCERNED WITH THIS SITUATION FOR SOME TIME GIVEN THE US POLICY OF REQUIRING MILEAGE RELATED CARGO RATES. US AIRLINES HAVE NOT HERETOFORE BEEN COMPETITIVELY INJURED BY COMMON RATING BECAUSE THEY HAVE BEEN ALLOWED TO TRUCK FREIGHT TO AND FROM FRANKFURT AND TO CHARGE THE COMMON-RATED AIR RATE FOR THE ACTUAL CITY OF ORIGIN OR DESTINATION.

"THE TRUCKING RESTRICTION, HOWEVER, DRASTICALLY ALTERS THE IMPACT OF COMMON-RATING. WITHOUT THE ABILITY TO TRUCK AND CHARGE THE ORIGIN AND DESTINATION AIR RATE, THE US ALL-CARGO CARRIER WILL BE FORCED TO CHARGE MORE THAN ITS GERMAN COMPETITOR AND WILL THEREFORE LOSE ALL OF ITS NON-FRANKFURT BUSINESS (WHICH IT ESTIMATES TO BE 70 PERCENT OF ITS TOTAL) BECAUSE IT WILL BE OBLIGED TO

CHANGE THE US-FRANKFURT AIR RATE PLUS EITHER THE FRANKFURT-OTHER CITY TRUCK RATE OR FRANKFURT-OTHER CITY AIR RATE. THIS SITUATION IS PARTICULARLY IRONIC. THE GERMAN CARRIER TRUCKS MOST OF ITS LARGE CONTAINER TRANSATLANTIC FREIGHT TO FRANKFURT TO CONNECT WITH ITS B-747 SERVICES BECAUSE THE AIRCRAFT FLYING THE INTRA-GERMANY SERVICE ARE TOO SMALL TO ACCOMMODATE THE LARGE

LOADS BY AIR. THIS IS NOT LIKELY TO CHANGE AND MOST LARGE SHIPMENTS WILL BE HANDLED AS THEY HAVE ALWAYS BEEN HANDLED, I.E., INTERMODALLY.

"FINALLY, THE US AUTHORITIES ARE CONCERNED WITH THE BROADER IMPLICATIONS OF THE MINISTRY OF TRANSPORT'S ACTION. IT IS CLEARLY NOT POSSIBLE FOR THE US ALL-CARGO AIRLINE TO IMPROVE ITS SITUATION IN THE US-GERMANY AIR FREIGHT MARKET BY OPERATING TO MUNICH, STUTTGART OR DUSSELDORF MORE FREQUENTLY THAN IT DOES AT PRESENT BECAUSE THE COST TO DO SO FOR LOADS ATTAINABLE--EVEN WITH DC-8 EQUIPMENT-IS PROHIBITIVE. THE CAPACITY OF B-747 EQUIPMENT, OF COURSE, MAKES SERVICE TO SUCH CITIES WITH THAT AIRCRAFT OUT OF THE QUESTION.

"IN FACT, THE MINISTRY OF TRANSPORT'S ACTION MAY UNDERCUT THE EFFICIENT UTILIZATION OF THE B-747. THE FREIGHTER VERSION OF THE B-747 IS AT PRESENT THE ONLY LIMITED OFFICIAL USE

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AIRCRAFT CAPABLE OF OPERATING TRANSATLANTIC CARGO IN THE MOST ECONOMICAL WAY. MOREOVER, THE B-747 USED BY THE US ALL-CARGO AIRLINE IS DESIGNED SPECIFICALLY TO OPERATE TO MAJOR HUB AIRPORTS AT HIGH LOAD FACTORS AND TO UTILIZE ITS OVER-THE-ROAD INTERMODAL 10 AND 20 FOOT CONTAINERS FOR IMMEDIATE ONWARD SURFACE SERVICE TO THE DESTINATION. WITHOUT THE ABILITY TO TRUCK, THEREFORE, THE FULL ECONOMIES CANNOT BE ACHIEVED. PRESENT WORLDWIDE FINANCIAL CIRCUMSTANCES SUGGEST THAT GOVERNMENTS SHOULD SEEK EVERY OPPORTUNITY TO ENCOURAGE, RATHER THAN TO IMPEDE, THE EFFICIENT UTILIZATION OF CAPITAL RESOURCES.

"THE UNITED STATES REITERATES THAT THE IMPLEMENTATION OF THE TRANSPORT MINISTRY'S RESTRICTIONS ON THE TRUCKING OF AIR FREIGHT WOULD HAVE IMPLICATIONS THAT AFFECT THE INTERESTS OF BOTH THE US AND THE FEDERAL REPUBLIC OF GERMANY. THE US REQUESTS THAT THE IMPLEMENTATION OF THESE RESTRICTIONS BE DEFERRED INDEFINITELY OR AT LEAST UNTIL THE TWO GOVERNMENTS HAVE HAD AN OPPORTUNITY TO EXAMINE THE SITUATION FULLY." END TEXT. KISSINGER

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